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SUBJECT: USG Trade-Related Assistance to the GOM

C O R R E C T E D C O P Y (RETRANSMIT A CLEAN COPY)

1. SUMMARY: In the upcoming bilateral Trade and Investment Framework Agreement (TIFA) talks, Mongolia continues to ask for trade-related technical assistance. USAID is already providing extensive help in a number of areas, including trade policy and negotiations, creation of a single window for trade facilitation, and efforts to increase government transparency. We suggest that in the TIFA talks, the U.S. encourage Mongolia to do its part in these areas. End summary.

Trade Policy: USAID Helping, GOM Must Act Too  
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2. In late 2004, USAID's Economic Policy Reform and Competitiveness Project (EPRC) concluded that the Government of Mongolia largely lacked the structures, processes and professional staff required to manage competitive international trade. In March 2005, EPRC proposed the creation of a Trade Analysis Unit and Negotiations (TANU). EPRC negotiated with and partnered with German aid agency GTZ and the UNDP to launch the unit formally in July 2006.

3. Staffed with GTZ and UNDP consultants, TANU performs technical analyses and prepares briefings for GOM trade negotiators. EPRC and GTZ contribute short-term technical assistance to help TANU prepare trade analyses. TANU does not currently have trade negotiators due to shortage of funds.

4. EPRC has proposed the creation of a Trade Policy Council (TPC). TANU would report to TPC through a TPC Technical Secretariat in the Ministry of Industry and Trade. The proposal has gone through several rounds of discussions and a government decree has been drafted. EPRC/USAID have mandated official promulgation of the decree to establish the TPC as a condition precedent to provide TANU with computer systems and networks to enable them to function efficiently.

5. The proposed Council and its technical secretariat would:  
(a) oversee the coordination of foreign trade policy and analysis; (b) make decisions on positions in trade-related international negotiations and meetings; (c) oversee coordination of agencies involved in foreign trade-related issues such as customs tariffs, VAT at the border, standards, inspections, and compliance with international trade agreements; (d) brief Parliament; and (e) oversee the development and implementation of public relations efforts on trade issues; and secure resources from donors and international organizations to provide training to selected Mongolian international trade negotiators.

6. During the TIFA talks, we suggest that the USG:

-- Encourage the GOM to pursue and develop TANU further. TANU is running on a shoestring budget. The limited USAID resources to support this will not go far, and our own budget situation is tight (overall USAID allocations to Mongolia dropped from \$10 million in FY 2005 to \$5.6 million in FY 2007). Increased GOM support is needed.

-- Encourage the GOM to set up the TPC and use it as a mechanism to rationalize and manage its trade policy making.

Customs: Stay the Course Toward a Single Window  
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7. As a result of EPRC discussions with the GOM, in October 2006 the Ministry of Finance (MoF) passed Resolution 251 to establish a working group (WG) to implement the concept of a single window for trade facilitation. Another decree made the Director of the Information and Communication Technology Authority (ICTA) Chair of this WG. At the request of the MoF, EPRC will provide technical assistance to support these efforts. Agencies involved in the WG include the Mongolian National Chamber of Commerce and Industry (MNCCI), The Open Society Forum (OSF), the Ministry of Industry and Trade, the Customs General Administration of Mongolia (CGAM), the Mongolian Agency for Standardization and Metrology (MASM), the Information Communication and Technology Agency (ICTA), and the State Specialized Inspection Agency (SSIA).

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8. On December 18, the Single Window for Trade Facilitation Working Group held its first formal meeting, with Minister Bayartsaikhan (MoF) acting as chair. EPRC prepared a paper on the concept of a single window for trade facilitation, a summary of successful international experiences in implementing the concept, and a proposed action plan to implement the single window in Mongolia.

With minor changes, the WG accepted and adopted the project proposals and MoF Minister asked ICTA to prepare a national program and agreement for establishing foreign trade single window with the help of EPRC. At the Minister's request, EPRC has assisted with the drafting of an inter-agency agreement to implement the single window for trade facilitation. The draft agreement incorporates comments and its signing is pending.

9. EPRC identified the Societe Generale de Surveillance (SGS) as a potential partner in a private or public-private partnership company (to be determined through discussions with the GOM). SGS has been an investor and technology provider in successful single electronic window ventures for trade facilitation. EPRC negotiated a visit from their team in late February to expose the WG to state-of-the-art practices in single electronic windows for trade facilitation. At the first WG, Customs formally proposed a suggestion EPRC had made concerning negotiating with ADB to use some of the proceeds from an approved ADB loan to modernize customs as GOM equity contribution in the yet-to-be-formed company.

10. During the TIFA talks, we suggest that the USG:

-- Encourage the GOM to "stay the course" on the single window effort, which will probably take some 2 or 3 years to complete.

Transparency: Start Publishing!  
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